



# Summary of Discussion with Ted Kolderie

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

*Friday, November 6, 2009*

**Present :** Verne Johnson (Chair); Janis Clay, Marianne Curry, Paul Gilje, Jim Hetland, Jan Hively, Dan Loritz, Tim McDonald, Wayne Popham (phone), Clarence Shallbetter, Bob White

**A. Context of the meeting** - The Caucus recently finished a statement for its future-an operating statement, a philosophical statement-that is presently being circulated. Today's meeting is to spend some time on examples of redesign, and there is no better speaker for this than Ted Kolderie. The weekly discussions in the Civic Caucus will continue to take on this theme of rethinking how the public sector is arranged and operates, which our speaker today likes to describe as doing more, if possible for less, by doing it differently.

**B. Welcome and introductions** -Verne introduced **Ted Kolderie**, founding partner, Education|Evolving; former executive director, Citizens League; former senior fellow, Humphrey Institute, University of Minnesota; and former reporter and editorial writer, Minneapolis Tribune. Verne met Ted while Verne was executive director at the Citizens League, and Ted was a reporter at the Tribune. Ted one of the most thoughtful people around, Verne said. "Here was a thinker, pondering things more than usual." As Verne prepared to leave his tenure at the League, he approached Kolderie to consider stepping in. No, was the reply. After some additional persuasion, he eventually relented.

**C. Comments and discussion** -During comments by Kolderie and in discussion with the Civic Caucus, the following points were raised:

**1. Many terms can be used for redesign** —Kolderie began by saying that the phrase redesign really is "arbitrary-more a term than a concept to be defined." You could use other terms. "I learned a long time ago that 'reform' doesn't work," he said, as a concept. It is too worn-down. In his eyes he sees redesign as making something more effective, but less costly. Not a case of the same approach, done better. It involves coming at a problem with a new or different concept.

**2. Long time interest in redesign** —He has been in this business in one way or another for all of his careers-from the papers, to the Citizens League, to his time at the Humphrey Institute and now with the Center for Policy Studies and Education|Evolving. The latter of those-E|E-is an application of the

idea that public systems can be made to work better by changing (sometimes small) components of their architecture, or simply by rethinking the delivery of services. Education|Evolving works in Minnesota and elsewhere to help make public education work better, by working differently.

**3. Different forms of redesign** —There is a spectrum to redesign of organizations, he said-of the way things are done. On one end you have performance improvement, through refinement or enhancement of what is already in place. On the other end there is what Walt McClure calls "macro-system design," or "large-system architecture." This is the realm of those who design policy: the board of an organization, the state legislature. They are the ones with the capacity for the right side of the spectrum.

Performance-improvement ——————|————— Macro-system design

Neither is inherently better than the other. They're both necessary, and important.

**4. Redesign not always welcome** — It can be difficult to make progress on redesign. People get used to things as they are. Interests become vested in the present state of a system. There is a lot of money to be made by selling better service for the existing machinery.

"Look for alternatives to this," he said. "Alternatives is the key word." ,The Citizens League and the Upper Midwest Council cooperated on the Public Service Options project in the 1980's. Britain, he said, seems not to think so much about alternatives; seems to think that if it gives big systems 'targets' and limits their cash they will automatically go find better ways to do things. Not sure this works well.

**5. Focus on the "how"**— Endlessly restating 'the problem' and endlessly reaffirming 'the need to do better' doesn't move anything ahead. The discussion needs to focus on the 'How?'

**6. Eight categories for redesign of services** —Kolderie described eight different categories into which redesign ideas can be placed:

**a. Termination** : This is 'load-shedding,' or cutting. He read a clip from the Gilbert MN Herald in 1961 about the city saying it would no longer cut boulevard lawns or plow gardens at city expense. Wilder no longer operates public baths in Saint Paul. This isn't a big category. But once in a while something can simply be dropped.

**b. Prevention** : The best way to hedge against high-cost services is simply to avoid them, or when possible delay their onset. Health care provides one of the most significant opportunities for prevention. When she was in this past September, Mary Brainerd (CEO, Health Partners) told the Caucus that up to 80 percent of costs in health care are for conditions that are either delay-able or preventable. We have 'medical-hospital services,' not a system of health-care. We treat, we don't prevent. This example of prevention is prominent in the current national debate about 'health-care' reform.

In his 'redesign' seminar at the Humphrey Institute, Kolderie said he'd ask the students to describe the system of 'fire control'. Clearly fire-suppression — squirting water on the flames from the street — is a small part of that system. Most of it is prevention. Fireproofing buildings, safety measures, sprinklers to suppress it if one does start, inspection.

**c. Substitution** : There are always ways to do service less expensively. Hospice care rather than hospital care at the end of life, is a well-known example.

You can change how you do things. He shared a story about a community group in Chicago that was calling for a better hospital-medical service in their neighborhood. They were dealing with too many car accidents and dog and rat bites. But after some thinking city leadership instead worked to 'calm' the traffic and remove the animals. They got to the root of the problem.

Substitution applied to transit may include carpooling or vanpooling in place of conventional bus service on regular routes and schedules.

Supported self-help is substitution: instead of hiring a In place of buying expensive professional service you put in the labor and a company provides the materials, designs, equipment and know-how. Think about gardening, Toro, Scott's lawn care. Betty Crocker in your kitchen.

**d. Competition**: This is choice. Contracting is a useful approach, if it comes in competitive form. Competition is not itself a different way of doing a task, Kolderie emphasized, but an approach for achieving efficiencies in spending. Contracts don't only have to be issued to private enterprises. There can be public-to-public contracts, too: between municipalities or agencies.

It matters how competition is facilitated, Kolderie said. When he covered Minneapolis City Hall for the Tribune the city contracted for vehicle-towing services. To bid, a company had to show it had both trucks and an impound lot. Nobody was willing to get an impound lot just so they could bid. So the contracts went to the same operators, despite cars being damaged and broken-into.

Then the city decided to take a different approach. The city acquired the impound lot; space under I-94. Then it divided the city into quadrants. . All you had to have to bid was trucks. The next year, competition exploded. "They were towing so much," Kolderie said, "the city had to tell them to lay off." This was a successful redesign: better service at a lower cost.

**e. Utilization**: Make the fullest use of personnel in (whatever) service. The website of the State Fire Marshal shows just under 800 fire services in Minnesota. Eleven are full-time departments. Over 700 are all volunteer; 42 are mixed. "In Denmark," In Denmark the company Falck has long contracted with municipalities for fire service. It also runs emergency and non-emergency ambulance, tows wrecked cars, handles emergency calls. Filling up its employees' time lets it pay public-sector wages. In America some of this is visible in the way fire departments have gone into the para-medic business.

Ride sharing is utilization too. The roads are filled with cars themselves mostly driver-only. They are under-utilizing.

**f. Capitation**: Give an individual, organization, or agency the money and let it keep what it does not need to spend.. As superintendent in Milwaukee Howard Fuller capitated schools for substitute teachers. Spending on substitutes went down. Similarly, in Florida, schools required to pay their own bills for light and air-conditioning began conserving electric power to generate money for school activities.

**g. Regulation**: Often government 'gets something done' not by running the service itself but by requiring others to meet the need at their own expense. The city does not clean restaurants: It

requires owners to clean their restaurants. The city plows snow on the streets, but requires homeowners to shovel their sidewalks. Regulation creates incentives, and incentives influence how people and organizations behave. They can work for good or ill. Walter McClure once wrote a wonderfully clear paper — in the context of the health-care debate — explaining that the proper response to market failure (which does exist) is not regulation, but 'market reform'. There is also regulatory failure, and this is worse — because irreversible.

**h. De-regulation:** This redesign opens up a system, creating the capacity for doing things differently, more effectively, and better meeting needs. Think about Alfred Kahn, when chair, getting the Civil Aeronautics Board out of regulating routes and fares on the airlines. The airline system changed dramatically. More people flew; (in real terms) fares fell.

**7. Applying redesign in the 2010 Legislature?**— A member asked Kolderie for his thoughts on where legislators might look to redesign, to maintain and improve services and save money, in the upcoming session. "Redesign is longer-term," he replied. "The question is, where do you get started on redesign? We have a habit of starting this work when it's raining, then shelving it once things start improving." Chartering was a system-level redesign in K-12 education. Now Education|Evolving is proposing that the new schools be designed to get away from courses and classes, so students can either take more time or, if they're able, can move faster. If more students finished secondary school, moved on to college or to work, at age 16 the savings could be quite substantial.

**8. Building momentum for redesign**— A member asked, Where are we now with momentum for redesign work? A couple of groups are now continuing the work begun by local foundations in the "Bottom Line" project earlier this year. . One is working on redesign proposals, the other examining how to get redesign activity going in the state, broadly and on a continuing basis.

Where's the Civic Caucus fit into this? " Just what you are doing," he said, "bringing in public officials and asking them questions that make them think."

**9. Incremental change or comprehensive change**— To conclude, Kolderie said it is important also to think about how redesign gets enacted. "There's an impulse to be 'comprehensive,'" he said. "So often the notion is that the whole old 'system' will be taken out and a whole new one put in. This never happens.

The practical way to get even radical and comprehensive change is to open the system just enough to let something very different come in. "Let those who prefer to do something one way instead of another do so. Don't let the status quo suppress it. Over time the new model will develop-if it is sound-and the old will decline. This is the way most systems change. Think about telecommunications, and about computers. Some farmers thought God meant for fields to be plowed with horses, but over time tractors replaced horses. This process does take time. But realistically there isn't any other way. 'Taking time' also offers the opportunity to improve the new model. The 'different' is never very good at the start. Again, think about computers, or the one-pound cell phone."

**10. Looking at redesign from the consumer's view, not only the producer's view** —Redesigns come in different forms, he emphasized. "Some redesign just improves the existing model without changing it much. Some involves radical change. Radical change requires thinking in new ways. A well-known economist insisted there cannot be a concept of productivity in services. He pointed to the

string quartet. "What would it do, to increase productivity?" he asked, 'Play the Mozart twice as fast? Drop the second violin? This seemed irrefutable-so long as you thought about it from the quartet's point of view."

Step back. "Now think about it from the listener's point of view: (a) driving to the concert hall, paying to park, buying a ticket every time for every seat, listening to what might be an indifferent performance, then driving. Or on the other hand: (b) buying a CD once, sitting in a quiet, private living room at whatever time is convenient, no driving, no parking, no crowd, listening to the best performances ever recorded. Tell me there's no productivity here," Kolderie said. "You just have to be willing to contemplate a different way of getting to the result."

**11. Thanks**— On behalf of the Civic Caucus, Verne thanked Kolderie for meeting with us today. .